



WOMEN ENTREPRENEURSHIP AND MSME IN INDIA

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The Micro, Small, and Medium Enterprises (MSME) sector in India stands as a linchpin in the nation's economic framework, contributing significantly to GDP, employment, and exports. Recent data from the Government of India, Ministry of MSME, indicates that the MSME sector contributes approximately 29%

to the country's GDP, underscoring its substantial impact on economic growth. Indian women are making a significant contribution to the Micro and Small Enterprises (MSME) sector in India by bringing innovative products and services, enhancing employment opportunities and driving economic growth.

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Women's participation in the economy is essential for sustainable economic development, gender equality, and poverty alleviation. McKinsey Global Institute (MGI) estimates that India could boost its GDP by USD 0.7 trillion by bringing 68 million more women into India's workforce by 2025. The World Bank reports that India could increase GDP growth by 1.5 percentage points by including 50% of the women in the workforce. However, India's female labour force participation rate (FLFPR) declined from 32% in 2005 to 19% in 2021, 27 percentage points less than the global average. This steady decline in FLFPR is attributed to many factors including increased enrollment of girls in higher education, declining child labour, structural shift from agriculture sector post 2005. Further, decline in animal husbandry in rural areas, fall in international demand for products of labour-intensive industries, disproportionate burden of unpaid care work and lack of employment opportunities.

Women's economic contribution in India accounts for 17% of the GDP, which is less than half the global average. COVID-19 exacerbated the situation when women lost livelihoods and employment, income from the business decreased, and the burden of unpaid care increased. UN Women reported that during the first lockdown in 2020, 47% of women lost their jobs compared to 7% of men who were left without jobs. Of the countries in the Central and East Asia region, the pandemic hurt female entrepreneurs in India the most, with two-thirds of women attributing recent business closures to the pandemic. Recently, the MSME sector has undergone a remarkable transformation, with women overcoming entrepreneurial challenges to make their mark. In the FY 2022, the number of women-led SMEs witnessed a 75% spurt to 8.59 lakh units from 4.9 lakh units a year earlier. MSMEs have also recorded a relatively higher participation rate (24%) than other industries.

A spate of Government-led initiatives such as the Mahila Udyam Nidhi scheme, the Annapurna scheme, and the Stand-Up

India Scheme also underlines the push for women entrepreneurship in the MSME sector. These initiatives provide financial

assistance and help build industry-relevant skills to empower women entrepreneurs. Further, opening a National Resource Centre for Women (NRCW) has helped provide regular support to these entrepreneurs. Additionally, various tax benefits, such as subsidies, lower taxes and tax holidays, have significantly enhanced their competitiveness.

Objectives:

1. To study the challenges faced by Women entrepreneurs in the Indian economy.
2. To comprehensively assess the current status of women and the participation in different sectors of the MSME sector.
3. To get acquainted with various MSME Schemes for Empowering Women Entrepreneurs.
4. To propose targeted and evidence-based policy recommendations for enhancing women participation and empowerment in the MSME sector.

Challenges Faced by Women Entrepreneurs:

- a. **Lack of access to timely formal credit:** Women entrepreneurs navigating the MSME sector encounter a myriad of challenges, ranging from limited access to financial resources to societal norms and expectations. Addressing these challenges is crucial for creating an enabling environment for women-led enterprises. An in-depth study by the International Finance Corporation (IFC) indicates that only around 30% of women-owned businesses in India have access to formal credit.
- b. **Regional Disparities:** Understanding and addressing regional disparities in women's

participation in the MSME sector are pivotal for creating inclusive policies. While states like Tamil Nadu and Karnataka exhibit higher representation of women entrepreneurs, certain regions, particularly in the north, face challenges. Tailoring interventions to address these regional disparities is vital for fostering a more equitable landscape.

- c. **Women-owned MSMEs face challenges in accessing credit** due to a lack of collateral and tangible assets, limited avenues to prove creditworthiness, and perceptual biases against lending to female entrepreneurs or women led enterprises. As most women-owned businesses are home-run, micro, and informal in nature, they have limited exposure to market spaces and marketing skills.
- d. **Female entrepreneurs need to deal with mobility and logistics challenges, time poverty and unpaid care work, and safety and security issues to manage the business and achieve the required growth for the business.** They also lag in terms of digital and technical skills due to low literacy rates and lack of access to mobile and the Internet.

Opportunities for Women in MSMEs:

Despite the challenges, the MSME sector offers numerous opportunities for women entrepreneurs. Notable success stories and initiatives, such as the Stand-Up India scheme by the Government of India, are facilitating the establishment and growth of women-led enterprises. Women entrepreneurs need a continuum of business support services to ensure the survival and growth of their enterprises. MSC's recent work finds that entrepreneurs are more willing to take risks, explore high-growth sectors, and invest in enterprise growth when they have the assurance and confidence of external institutional support and guidance.

The MSME sector has slowly but surely started welcoming women entrepreneurs with open arms. In

India, the last few decades have seen rapid development in terms of providing enough (and equal) incentives for women entrepreneurs. This not only has elevated the status of women in the country but has also given a serious boost to the Indian economy.

MSME Schemes for Empowering Women Entrepreneurs.

The MSME schemes introduced for women entrepreneurs specifically ensure that they find it easier to start up new businesses and obtain the necessary MSME loans to start these businesses. Some of these schemes are as follows:

1. Mahila Udyam Nidhi Scheme-

This Scheme was initially introduced to offer financial assistance of up to ₹10 lakhs to small businesses, the Mahila Udyam Nidhi Scheme now also helps women set up new projects and businesses. Under this scheme, women entrepreneurs also have the liberty of upgrading the existing projects. The Mahila Udyam Nidhi Scheme has a variety of interest rates depending on the market rates, and the loans have a repayment tenure of up to 10 years with a 5-year moratorium period.

2. TREAD Scheme-

The Trade-Related Entrepreneurship Assistance and Development (or TREAD) scheme is aimed to empower women by providing them with the necessary credit for projects which includes training, counselling, and knowledge to run the projects in the ideal way. The TREAD scheme aims to build the knowledge of women in businesses better. Under this scheme, the govt provides a grant of up to 30% of the total project cost, which is determined by the financial institutions.

3. Pradhan Mantri Rozgar Yojana-

The Pradhan Mantri Rozgar Yojana allows women entrepreneurs to receive the necessary financial assistance under this scheme to grow their

businesses. The best thing about this scheme is that it is applicable in all industries, new and old businesses, and throughout all the services. The aim of the scheme is to empower women by providing them with the necessary MSME loans in order to help them become financially stable. One of the most important features of this scheme is that it also offers a 15% discount on the project costs, which is up to a maximum of ₹12,500 per person.

4. Annapurna Yojana-

This scheme is for those women who wants to take up their interest in catering and make it into a business. The Annapurna Yojana allows women to launch a catering business by borrowing a sum of ₹50,000 under this scheme. With a repayment period of 36-months and required collateral, this scheme is already benefitting a lot of women throughout the country.

5. Udyogini Scheme-

The Udyogini scheme is ideal for women who want to start a new business of any kind. The original plan with the scheme is that it's more suitable for families that earn less than ₹1.5 lakhs per year. Without any discrimination against any class of women, the Udyogini scheme is meant to benefit everybody who needs it. Under this scheme, the loan amount of ₹3 lakh is provided in cash with a lower interest rate. The scheme aims to help women become financially stable to launch their own businesses, especially in remote areas.

6. Dena Shakti Scheme

All women entrepreneurs that are involved in agriculture, manufacturing, or similar enterprises can acquire loans under the Dena Shakti scheme. The loans offered under the Dena Shakti Scheme are up to ₹50,000 with a concession of about 0.25% on the rate of interest. However, for retail trading, housing, or education, loans of up to ₹20 lakhs could be sanctioned.

It was found that many scheme had considerable information asymmetry and lacked details on how to apply, where to apply, and whom to contact to avail of the benefits under the scheme. Also, access points to provide last-mile access and assistance in enrolling for entrepreneurship support schemes are completely missing. A strong village-level frontline

force should enable physical and assisted access to entrepreneurship support schemes at the last mile. The frontline force could comprise a combination of business correspondents, post office functionaries, and CSCs(Common Service Centers) or VLEs and such access is currently available only for selected schemes

Status of the Women's entrepreneurship in India: Share of women-owned enterprises in all proprietary MSMEs

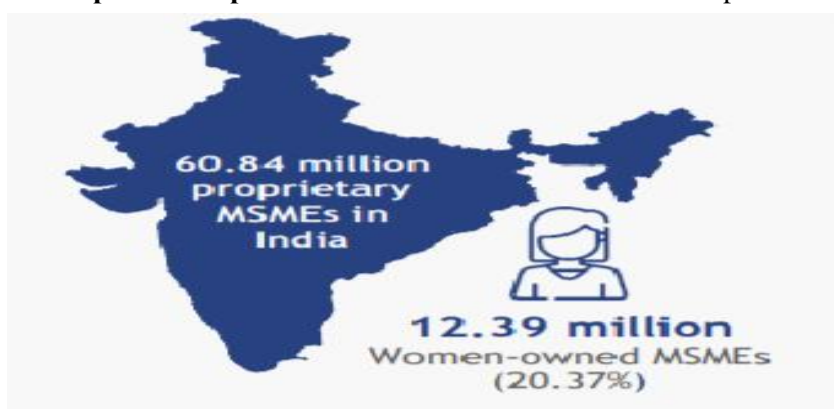


Figure 1: Share of wMSMEs in India.

Source: MoMSME annual report 2021-22

India has nearly 63 million micro, small, and medium enterprises (MSMEs), of which around 20.37 % are women owned, employing 22 to 27 million people. Out of them, 60.84 million (~96%) establishments are proprietary concerns. The distribution of women-owned MSMEs varies across states of country.

India ranked 57th among 65 countries in the MasterCard Index of Women Entrepreneurs(MIWE,2021).Estimates suggest that by accelerating women's entrepreneurship, India could

create more than 30 million women-owned enterprises, potentially creating 150 to 170 million jobs. Out of the 432 million working-age women in India, only 19% of women participate in any formal and paid work.

The MSME sector in India contributes to 30% of India's GDP and employs around 110 million people. In India, about 89% of the women-owned enterprises operate all year round, 9% are seasonal, and the remaining 2% operate casually, which are neither perennial nor seasonal.

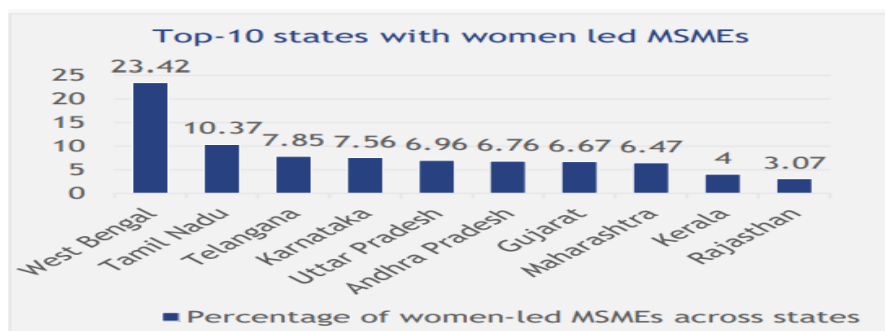


Figure 2: The top-10 sates in share of wMSMEs.

Source: MoMSME annual report 2021-22.

West Bengal (23.42%) has the highest share of women led MSMEs, while Sikkim (0.04%) has the lowest. The survey findings indicate that India's southern states have a relatively more favorable ecosystem for women's entrepreneurship. These five-state count among the top-10 states in terms of the number of establishments under women-owned enterprises. Tamil Nadu leads with 10.37%, followed by Telangana with 7.85%, Karnataka with 7.56%, Andhra Pradesh with 6.76%, and Kerala with 4%.

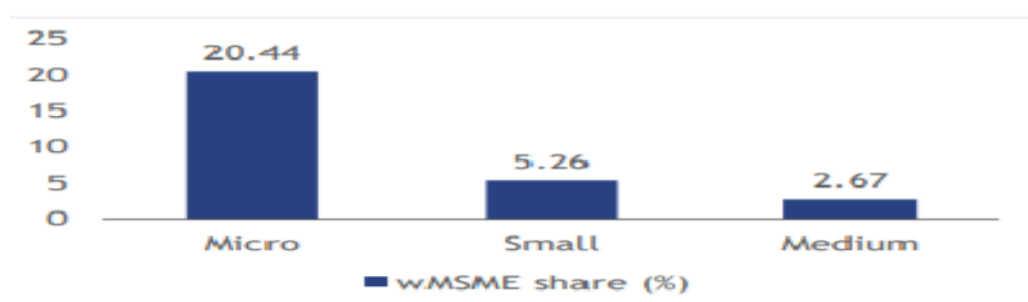


Figure 3: Share of wMSMEs by size, Source: MoMSME annual report 2021-22

More than 99% of all MSMEs are in the micro sector. Most women-owned enterprises in India are single-person microenterprises. Only about 17% of women-owned enterprises have employed workers, of which 95% operate with less than six workers. As the size of the enterprise increases, the proportion of women-led enterprises decreases.

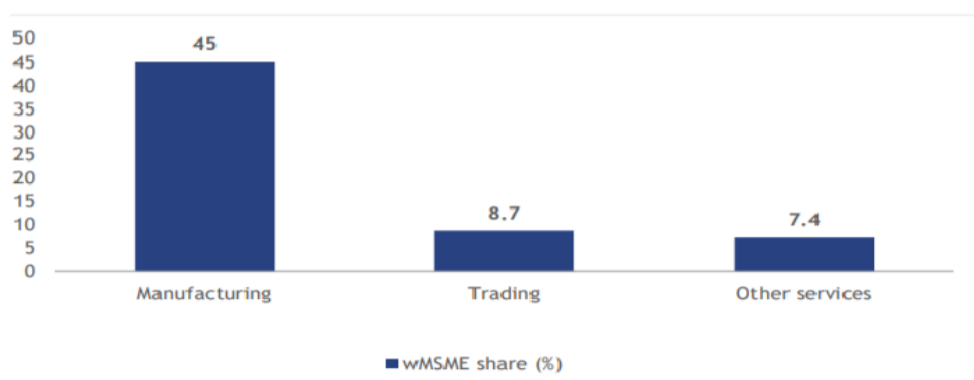


Figure 4: Share of wMSMEs by sector Source: MOSPI, 2018

Policy Recommendations:

1. **Access to Finance:** To address the challenge of limited access to formal credit, policymakers should implement targeted financial inclusion programs. Simplified loan procedures and collateral-free lending schemes can ensure easy access to formal credit for women entrepreneurs.
2. **Skill Development and Training:** Promoting skill development and training programs tailored to the specific needs of women entrepreneurs is essential. These programs can enhance their business acumen, competitiveness, and overall preparedness for the challenges of the MSME sector.
3. **Awareness Campaigns:** Efforts to challenge societal norms and stereotypes are crucial for fostering a more inclusive environment. Awareness campaigns aimed at encouraging greater acceptance of women in non-traditional sectors and leadership roles can play a pivotal role in breaking down barriers.
4. **Regional Outreach Programs:** To address regional disparities, policymakers should design and implement region-specific outreach programs.



These initiatives should be tailored to the unique challenges faced by each region, ensuring that interventions are effective and contextually relevant.

Governments must pay particular attention to ensure female entrepreneurs can equally access the benefits of “all entrepreneurship support schemes” against only those that specifically target women. Market linkages and support for business mentoring are among the most ignored support areas in all entrepreneurship support schemes.

As per McKinsey, some 90 million workers in India will be looking for gainful nonfarm work opportunities between now and 2030, based on current demographics and possible transitions of workers out of agriculture. An additional 55 million women could enter the workforce by 2030 if their long-standing underrepresentation is at least partially corrected. Promoting women’s entrepreneurship is a powerful vehicle that can speed up India’s journey to becoming a \$5 trillion economy. However, this needs unlocking the bottlenecks that impede their entrepreneurship journey taking a comprehensive ecosystem view.

Conclusion:

Women entrepreneurs have achieved so much over the past few decades that it’s evident that women can contribute to the faster growth of society and the economy of the country. After emerging from such a long time of conventions and taboos, women have tackled so many problems of starting new businesses

and creating new opportunities that the male folk practically couldn’t do. A lot of inspirational women have already carved their niches in different fields of business. Moreover, the introduction of the govt schemes to empower women entrepreneurs is also paving the road for women entrepreneurs to become independent as well. It is critical for governments to enable convenient and easy last-mile access to all entrepreneurship support schemes. Beneficiaries should have an option for end-to-end digital as well as physical or assisted access to all schemes.

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